

NOTICE OF PUBLIC HEARING
WATER RELIABILITY AND EMERGENCY STORAGE FEE
AND AD VALOREM PROPERTY TAX DIVERSION FEE
SEPTEMBER 2009

The Trabuco Canyon Water District (TCWD) Board of Directors will hold a Public Hearing on Wednesday, November 18, 2009, at 7:00 p.m. to consider proposed fees which, if approved, would be effective on water bills mailed on and after January 1, 2010. The Public Hearing will be held in TCWD's Boardroom, 32003 Dove Canyon Drive, Trabuco Canyon, CA 92679. Customers and property owners within TCWD's service area are welcome to attend and participate in the hearing.

Why is a Water Reliability and Emergency Storage Fee Needed?

The Water Reliability and Emergency Storage Fee (WRESF) is needed for TCWD to finance three major capital projects which are briefly described below.

Capital Project No. 1) Baker Regional Water Treatment Plant Facility (Baker WTPF)

The Baker WTPF will be operated by the Irvine Ranch Water District and will be a water facility jointly owned with five other south Orange County agencies participating. Participation provides benefits to TCWD customers, including:

- Improved water supply and water system reliability
- Increased utilization of the Santiago Aqueduct which conveys untreated water into south Orange County
- Alternative source of treated water to south Orange County when the Diemer Plant or Allen-McColloch Pipeline are out of service or due to an emergency or natural disaster, and
- Use of Irvine Lake water.

TCWD's capacity ownership of 5.8% of plant capacity equates to 2 cubic feet per second (cfs) of the 34.5 cfs projected facility capacity. Participating in the Baker WTPF allows TCWD the use of Irvine Lake as a local source of water, including long term storage and the use of Irvine Lake as an emergency source water. TCWD would have the capability of selling TCWD's water to other south Orange County agencies. Projected Fiscal Impact: TCWD's estimated share would not exceed \$4,000,000.00.

Capital Project No. 2) Rose Canyon and Lang Wells Facilities Upgrades

The TCWD-owned Rose Canyon and Lang Wells currently exceed all drinking water quality criteria. In July of 2007, the Department of Public Health made a determination that the wells are under the direct influence of surface water and would be required to comply with additional state and federal regulations by August of 2010. The existing facilities must be improved to comply with the various Surface Water Treatment Rules. The project will upgrade the existing treatment system and exceed the treatment objectives. The wells are highly desirable in terms of raw water quality, cost, and utilization of local resources. The sustainable use of these wells contributes to TCWD and the entire Southern California region by being less dependent on imported water supplies. Rose Canyon and Lang Wells production currently represents 4% to 10% of the total TCWD water supply, depending on annual rainfall. The wells' contribution to total demand is expected to be a minimum of 250 acre feet per year and up to the historical average of 400 acre feet per year. The proposed cost of the well water is expected to range from \$125 to \$250 per acre foot. Fiscal Impact: Estimated cost would not exceed \$4,100,000.00.

Capital Project No. 3) Construction of a 2.0 Million Gallon Domestic Water Reservoir / Distribution Improvements

Domestic Water Reservoir

TCWD currently has 2.5 average days of water storage which is below the Metropolitan Water District (MET) recommended storage of 7 average days. TCWD proposes to construct a 2.0 million gallon domestic water reservoir to assist in meeting MET's recommended storage requirements. This will increase TCWD's storage capacity from 2.5 to 3.5 days based on a current average daily flow of 2.8 million gallons per day. The construction of this reservoir will provide further reliability and redundancy should one of TCWD's other reservoirs need to be taken out of service for maintenance or other emergency repairs. TCWD is further relying on meeting its storage requirements through the use of the Baker WTPF, water storage in Irvine Lake, and emergency interties with adjacent districts.

Distribution Improvements

This portion of the project involves the installation of approximately 3,700 feet of 8-inch pipe beginning on Brookseed Drive in the Trabuco Highlands development and ending at the Dove Reservoir in the Dove Canyon development. The project will allow TCWD to keep the Dove Reservoir full during peak flow periods, including additional fire flow demands resulting from wild fires. In addition to providing a redundant water supply to the Dove Reservoir service area in the event of the loss of the main water line to the Dove Reservoir service area, the project will greatly assist in fire suppression in the remote area as fire hydrants will be installed along the water distribution line and fire service road.

Projected Fiscal Impact for Water Reservoir / Distribution Improvements: Estimated cost would not exceed \$3,830,000.00.

Cost Per Meter

The proposed Water Reliability and Emergency Storage Fee would be imposed and collected as a monthly meter fee. The monthly fee per meter is calculated as a stratified meter collection fee, based on each customer's meter size and the demand each meter places on the water capacity requirements of TCWD. Financial information concerning the basis for the proposed Water Reliability and Emergency Storage Fee is available at TCWD's office for public review and will be presented at the Public Hearing. The proposed monthly meter fee is shown on the enclosed sheet entitled "Water Reliability & Emergency Storage Fee."

Why is an Ad Valorem Property Tax Diversion Fee Needed?

The recently passed State budget will result in a revenue shift from TCWD to the State under the terms of Proposition 1A. The proposed Ad Valorem Property Tax Diversion Fee would be collected from TCWD customers, on a temporary basis (as described in the enclosed sheet), to take the place of revenues lost to the State. In Fiscal Year 2004/2005 Proposition 1A was passed by the voters of California allowing the State to shift a portion of the ad valorem property taxes from local governments (cities, counties, and special districts of which TCWD is one). Based on negotiations with the State at that time, it was determined that in the future the State could borrow up to 8% of such property tax revenues from local governments but would be required to repay the amount borrowed within three budget years, with interest. TCWD's 2004/2005 loss was about \$1.6 million, and was collected from TCWD customers over a two-year period by implementing a pass-through surcharge on the utility billings. Projected Fiscal Impact: During Fiscal Year 2009/2010, it is estimated that approximately \$96,000.00 will be diverted from TCWD's ad valorem property taxes by the State.

Cost Per Meter

The proposed Ad Valorem Property Tax Diversion Fee would be imposed and collected as a monthly meter fee. The monthly fee per meter is calculated as a stratified meter collection fee, based on each customer's meter size and the demand a meter places on the water system capacity requirements of TCWD. Financial information concerning the basis for the proposed Ad Valorem Property Tax Diversion Fee is available at TCWD's office for public review and will be presented at the Public Hearing. The proposed monthly meter fee is shown on the enclosed sheet entitled "Ad Valorem Property Tax Diversion Fee."

How Will the Proposed Fees Affect Customers?

TCWD's Board of Directors will consider the proposed Water Reliability and Emergency Storage Fee and Ad Valorem Property Tax Diversion Fee following the close of the November 18, 2009 Public Hearing. If approved, the Proposed Fees would be effective on water bills mailed on or after January 1, 2010. The Fees would be applicable to all customer accounts with current meter charges. The Board of Directors may determine to collect such proposed Fees at rates lower, but not greater, than the amount of the Fees described in this Notice and the attached sheet.

Protest of Proposed Water Reliability and Emergency Storage Fee and Ad Valorem Property Tax Diversion Fee

All written protests to the proposed Fees must be received by TCWD not later than the conclusion of the Public Hearing on November 18, 2009. Written protests may be mailed or hand delivered to Sharon E. Smith, District Secretary, 32003 Dove Canyon Drive, Trabuco Canyon, CA 92679, or may be presented, in writing, to the Board of Directors at the Public Hearing. Protests received after such date and time will not be considered or counted. A postmark is **NOT** acceptable.

In order to be valid, each written protest must identify the affected property (either by assessor parcel number or street address), indicate it is the Water Reliability and Emergency Storage Fee and/or Ad Valorem Property Tax Diversion Fee that is being protested, and include the printed name and original signature of the record property owner. Only one protest per parcel or street address will be counted and presented to the Board of Directors. Comments submitted by telephone or electronic mail (email) will **NOT** be accepted or counted as protests.

If written protests are submitted by a majority of the owners of affected properties, the proposed fees will not be imposed. If you have sold your property within TCWD's service area, please forward this notice to the new owner(s.) If you have questions regarding the proposed Fees or about how to submit a written protest, please call Sharon E. Smith at (949) 858-0277.

Mission Statement

It is the purpose of the Trabuco Canyon Water District, a public service agency, to provide:

- service to our customers which instills trust regarding the quality and quantity of the water supply
- reliable service for collection, treatment and reuse of wastewater
- a work environment where the safety and health of employees and customers is our paramount concern
- information to our customers to foster and maintain a well informed community
- cost effective and efficient services in a courteous manner.

Visit our website at www.tcwd.ca.gov